

Message Text

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TAGS: ECON, EFIN, GR

SUBJECT: GOG ANNOUNCES EASING OF CREDIT RESTRICTIONS

1. ON JULY 8 MINISTRY OF COORDINATION AND PROGRAMMING RELEASED A STATEMENT ANNOUNCING SOME EASING OF CREDIT RESTRICTIONS. ACCORDING TO THE STATEMENT GOG MADE DECISION ON BASIS RECENT ECONOMIC INDICATORS SHOWING SATISFACTORY PROGRESS TOWARD STABILIZATION OF GREEK ECONOMY.

2. IN PARTICULAR, STATEMENT POINTS TO "NORMAL EVOLUTION OF THE PRICE STABILIZATION PROCESS AND THE TAPERING OFF OF PRESSURES ON THE BALANCE OF PAYMENTS." WITH RESPECT TO BALANCE OF PAYMENTS, STATEMENT CITES DECLINE OF GROWTH RATE OF IMPORTS, VERY STRONG EXPORT EARNINGS AND SATISFACTORY (CONSIDERING PREVAILING INTERNATIONAL CONDITIONS) INCREASE OF INVISIBLE RECEIPTS. THE GROWTH OF PRIVATE BANK DEPOSITS AND THE MAINTENANCE OF CURRENCY IN CIRCULATION AT REASONABLE LEVELS WERE ALSO MENTIONED AS INDICATIONS THAT THE ECONOMY IS MOVING TOWARDS SOUNDER LEVELS.

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3. THE GOVERNMENT ANNOUNCED THE FOLLOWING MEASURES "DESIGNED

TO BOOST PRODUCTIVE ACTIVITY AND TO MEET TOP-PRIORITY SOCIAL NEEDS OF THE GREEK PEOPLE":

(A) BANK CREDITS DURING SECOND HALF OF 1974 TO EXPORTING FIRMS AND TO INDUSTRIAL ENTERPRISES FOR NEW PLANTS OR EXPANSION OF EXISTING FACILITIES WILL BE PERMITTED TO EXCEED DECEMBER 31, 1973, LEVELS BY 40 PERCENT AND 25 PERCENT, RESPECTIVELY. CREDITS TO ALL OTHER SECTORS WILL BE INCREASED BY 6 PERCENT OVER DECEMBER 31, 1973, LEVELS. SPEAKING TO THE PRESS, ALTERNATE MINISTER OF COORDINATION AND PROGRAMMING ELIAS BALOPOULOS STATED THAT, WITHIN THE FRAMEWORK OF THE NEW CREDIT POLICY, SPECIAL MEASURES WILL BE INTRODUCED IN THE NEAR FUTURE DESIGNED TO PROMOTE INVESTMENTS, PRODUCTION, AND EXPORTS OF GREEK INDUSTRY.

(B) AN ADDITIONAL 2 BILLION DRACHMAS WILL BE MADE AVAILABLE FOR FINANCING OF PRODUCTIVE PROJECTS UNDER THE PUBLIC INVESTMENT PROGRAM.

(C) DURING THE SECOND HALF OF THE YEAR, 3000 NEW HOUSING LOANS WILL BE MADE AVAILABLE BY THE ORGANIZATION OF WORKERS' HOUSING, WITH SPECIAL EMPHASIS ON PROVINCIAL CENTERS. HALF OF THE TOTAL WILL BE GRANTED BY SEPTEMBER 15. AN ADDITIONAL 3000 LOANS WILL BE EXTENDED UNDER THE HOUSING PROGRAM OF THE MINISTRY OF SOCIAL SERVICES. SIMULTANEOUSLY WITH STATEMENT GOG ANNOUNCED THAT SUSPENSION OF THE GRANTING OF HOUSING LOANS TO PRIVATE INDIVIDUALS AND CIVIL SERVANTS BY THE NATIONAL MORTGAGE BANK, THE POSTAL SAVINGS FUND, AND OTHER FINANCING INSTITUTIONS, WILL BE EXTENDED UNTIL SEPTEMBER 30, 1974.

4. COMMENT: IMPLEMENTATION GUIDANCE AND INTERPRETATION WHEN ISSUED BY BANK OF GREECE WILL HELP US TO ASSESS IMPACT OF NEW MEASURES. AT JULY 2 OECD MEETING DEPUTY GOVERNOR PANAS OF BANK OF GREECE INDICATED THAT, ALTHOUGH GOG AWARE THAT GREECE NOT YET OUT OF THE WOODS ON INFLATION, GOG SUFFICIENTLY HEARTENED BY RECENT SLACKENING IN RATE OF PRICE INCREASES TO FEEL THE TIME HAD COME TO RELAX A BIT VERY RESTRICTIVE FISCAL AND MONETARY POLICY ON A SELECTIVE BASIS. HE STATED AT MEETING THAT GOG WOULD PROBABLY INCREASE PUBLIC INVESTMENT BUDGET BY 2 BILLION DRACHMAS FOR USE ESPECIALLY IN CERTAIN PARTS OF THE COUNTRY WHERE UNEMPLOYMENT SEEMS TO BE DEVELOPING AT UNACCEPTABLE RATE. HE INDICATED SOME ADDITIONAL SPENDING ALSO POSSIBLE. WITH RESPECT TO CREDIT RESTRICTIONS HE LIMITED OFFICIAL USE

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PREDICTED A DECISION "IN THE COMING WEEKS" TO SET AN ACROSS-THE-BOARD TARGET OF 12 TO 14 PERCENT OVER THE DECEMBER 31, 1973, LEVEL, WITH RELAXATION TO BE ACCOMPLISHED ON A SELECTIVE BASIS. ACCORDING TO PANAS THIS LEVEL CHOSEN BECAUSE CURRENT GOG PROJECTIONS SET INFLATION RATE FOR JANUARY-DECEMBER 1974 AT 12 PERCENT (NOTWITHSTANDING JANUARY-MAY CPI INCREASE OF 7.5 PERCENT).
BROWN

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